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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS DEVELOPMENT FUND FOR WOMEN

Report of the Administrator

SUMMARY

The present report reviews and updates the key elements of the programming framework of the United Nations Development Fund for Women (UNIFEM), the annual management planning process, and recent initiatives designed to create and sustain public support for the Fund and the women on whose behalf UNIFEM works. It also presents current examples of the organization's work that demonstrate critical aspects of UNIFEM's programming approach, specifically highlighting the Fund's contribution to the United Nations Conference on Environment and Development (UNCED) process. In closing, the report features a preview of UNIFEM's preparations for the 1995 World Conference on Women, to be held in China.

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I. BACKGROUND

1. Between 1989 and 1991, the United Nations Development Fund for Women (UNIFEM) invested considerable effort in defining and channelling its priorities to maximize the Fund's catalytic role, mandated under General Assembly resolution 39/125. In the course of this exercise, UNIFEM defined its mission and longer-term priority as "support for the efforts of the women of the developing world to achieve their objectives for economic and social development and equality". At that time, it was also agreed that the regional programmes for Asia/Pacific and Western Asia, Africa, and Latin America and the Caribbean would be the instruments for translating this long-term priority into shorter-term action plans suited to the specific requirements and conditions within each region.

2. To ensure the significance of UNIFEM's impact, it was further decided that the Fund would work with women and their partners in two key areas: agriculture and trade and industry. Interventions here would be complemented by technical support for credit, technology transfer, small business development, and training. In addition, UNIFEM would seek to foster an enabling policy environment in support of the activities of low-income women by working simultaneously at the grass-roots level and at the macro or policy level; and, through documenting and disseminating its most effective and innovative initiatives, the Fund would enhance its function as an instrument of advocacy and action in the service of women of the developing world.

3. Some key factors contributing to the successful work of the Fund during the period under review include, first of all, UNIFEM's formal and informal relations with the United Nations Development Programme (UNDP), including the resident representatives, who serve as the Fund's field representatives; the participation of the regional bureaux and the Bureau for Programme Policy and Evaluation (BPPE) in UNIFEM project approval committees; and UNIFEM's active involvement in UNDP discussions on matters related to policy and operations. Secondly, there is the support and advice which the Fund receives from the Consultative Committee, whose function it is to advise on matters of policy affecting UNIFEM and to monitor UNDP arrangements for managing the Fund. Finally, there is the ongoing review and refinement of the Fund's objectives provided by the UNIFEM staff at the annual strategic planning workshop. Here, the discourse has led to the identification of a third key programme area: macro policy and planning, and has encouraged UNIFEM to strengthen its mission statement to reflect the Fund's continuing commitment to an improved quality of life for women and men alike. The strategic planning exercise has also advanced the UNIFEM agenda in other critical ways: (a) it has helped to enhance the Fund's effectiveness in the design, implementation and evaluation of strategic programmes, projects and activities; (b) it has kept staff alert to the ways in which changing global priorities, such as questions of sustainable development and governance, may affect the conditions and the advancement of women in the developing world; and (c) it has provided a forum in which UNIFEM could explore alternative strategies for addressing long-standing problems such as violence against women, or the more recent challenges posed by the rapidly expanding communities of internally displaced and refugee women.

II. PROGRAMME MANAGEMENT

4. The regional programmes, which shape UNIFEM short-term priorities, are refined and updated every two years in collaboration with partners in the regions. Subject to review by the Consultative Committee, these programmes identify region-specific goals for the two-year period and outline the operational strategies for achieving these goals. They also offer scope for identifying and acting upon emerging issues and new requirements. Described below are a few highlights drawn from the regional programmes that capture the thrust of UNIFEM's work.

A. Africa

5. The Africa programme for 1991-1992 provides a good example of how a regional programme can both advance UNIFEM's longer-term priorities, and remain responsive to changing circumstances at the national and/or regional levels. In 1988, UNIFEM began to support a nationally executed project in Liberia, designed to assist market women increase their access to credit and to acquire savings for investment in productive activities. The outbreak of civil war in December 1989 brought the project to a halt. Recognizing that it is in just such times of crisis that women stand most in need of help, UNIFEM began to redirect its assistance towards creating a model for gender-sensitive, development-oriented relief efforts.

6. A project is now under way in Ghana and Côte d'Ivoire to provide support to Liberian women refugees as well as local women who have been affected by the influx of refugees into their communities. The project operates in close collaboration with the Office of the United Nations High Commissioner for Refugees (UNHCR) and the various non-governmental organizations (NGOs) active within these communities. It addresses the immediate needs articulated by the women themselves and offers shelter, trauma counselling, health education, and training in "portable skills", which can generate income for the women both in their current circumstances and on their return to their home country, should this become possible. Reports from UNHCR confirm that where formerly the women were passive and reluctant to participate in refugee-camp activities, they are now highly motivated and a large number of them have joined in the construction of a centre that will become a "room of their own" for counselling, training classes and recreational activities.

7. The Liberian project illustrates the manner in which the UNIFEM mandate to provide direct financial and technical support to low-income women can be applied even in situations of flux and uncertainty. Today, almost 75 per cent of the world's 15 million refugees are women and children, and of these one third are African. In order to protect the investments that the Fund has made in other countries, UNIFEM has used the Liberian experience as the basis for formulating a new programme that applies gender analysis to the situation of refugee and displaced women. The African Women in Crisis Umbrella Programme is intended to facilitate quick responses to women in crisis by supporting models of intervention that empower them and ensure their involvement in the resolution of the problems they face.

8. Recognizing that after almost a decade of assisting national and subregional policy organizations to acquire gender training and analytical skills, the demand for such skills still exceeds Africa's capacity to respond; and aware that systematic knowledge about indigenous institutions, training expertise and methodologies remains incomplete, UNIFEM began to formulate a major initiative aimed at improving the capacity of key African institutions already providing gender training.

9. Working in conjunction with the African Development Bank, UNIFEM funded a meeting in Côte d'Ivoire in November 1992 on mainstreaming gender concerns into African training and research institutes. The session brought together key trainers working at the grass-roots level, as well as researchers and representatives of institutions in the field of gender training. It also marked the beginning of a continent-wide, participatory process of collaboration and programme development intended to promote the formulation of a UNIFEM-funded, multifaceted programme of support for indigenous, African gender training and research activities. A meeting of the new network, which brings together anglophone and francophone Africa, is planned to take place in Tunisia early in 1993. This initiative complements the gender-training activities of the UNDP Gender-in-Development Programme intended to galvanize a multilateral effort to build a common gender-training programme for United Nations organizations, government planners and policy makers. By strengthening indigenous African institutions, UNIFEM support will begin to enhance their capacity to respond to the increased demand for gender training that UNDP's initiative will generate.

B. Asia and the Pacific

10. In the Asia and the Pacific programme, much of UNIFEM work focuses on ways of linking women at the grass-roots level with the macro-policy formulation that shapes their future. The Fund directly supports small, but creative, women's initiatives demonstrating effective development alternatives that can be linked to larger innovative programmes designed to stimulate a more enabling policy environment. The comparative advantage of UNIFEM resides at this very intersection of macro-policy and micro-action.

11. One of the most distinct examples of how macro/micro linkages are activated in the UNIFEM programme brought representatives of peasant women from South-East Asia to the 1992 United Nations Conference on Environment and Development (UNCED). This was the culmination of a process begun in 1991, when national summits on environment and development were held in Bangladesh, India, Nepal and Pakistan. The summits brought together grass-roots women leaders, scientists, politicians, national planners and policy makers in a dialogue to ensure that the voices of some 500 local women leaders were heard by those responsible for plans and policies directly affecting these women's lives. Subsequently, three peasant women leaders were selected to attend the Earth Summit in Rio and report on the ways in which environmental degradation had affected the well-being of women from their region. The representatives at the Earth Summit were subsequently required to report back to their constituencies and to identify, together with policy makers, planners and scientists, the steps necessary to implement the agreements and alternative treaties negotiated respectively at UNCED and the Global Forum. These follow-up activities have

been incorporated into the current Asia and Pacific programme and several initiatives are presently under way.

12. Because the allocation of critical development resources is made through national development plans, the Asia/Pacific section has also focused on creating adaptable models for making national development planning gender-responsive; models which use a participatory approach encompassing the needs, interests and voices not only of women, but of grass-roots people in general. UNIFEM provides training to build capacities within central planning and sectoral ministries of Governments as well as within national women's organizations.

13. Given the importance of gender-sensitive data and statistics as a basis for planning, UNIFEM has also supported innovative projects in data and statistics where women's invisibility has denied them access to economic and other resources. The two countries with the world's largest populations, China and India, were targeted by the Fund to support the collection and use of statistics demonstrating women's considerable contribution to the economy as well as to other sectors. In India, through the collaborative efforts of UNIFEM, UNFPA, national NGOs, and government ministries concerned, the 1991 census broke new ground by redefining work to include women's contributions in the informal sector. Such data, so essential for developing appropriate national plans, had never before been as fully captured in the census because of the bias of questions asked by enumerators. In China, the State Statistical Bureau is embarking on an experimental approach to the collection and dissemination of statistics on gender issues. Consultations among users and producers of statistics will result in the identification of priority gender issues to be reflected in official statistics. A popular booklet on "Women and Men in China" will be published in time for the Fourth World Conference on Women: Action for Equality, Development and Peace, to be held in Beijing in 1995. This UNIFEM initiative is being supported by the Government of Sweden and by UNDP.

14. Development programmes and projects with women beneficiaries in the Arab States, whether initiated by Governments, or through bilateral and multilateral cooperation, are facing common difficulties. These constraints stem mostly from one common factor: although the region has first-rate experts and institutions, few of them have sufficient experience with gender issues to be able to render the substantial support and services needed for development efforts aimed at mainstreaming women in national economic development. The importance of developing national and regional capacity in terms of gender in development is particularly crucial in the case of the Arab States in order to safeguard the cultural and social fabric of each community while narrowing the gender gaps which stand in the way of sustainable human development. Because of this, UNIFEM has decided to intensify its efforts through a series of initiatives specifically directed at this problem. One example is a newly approved programme to strengthen institutions dealing with the development of women's business enterprises. This programme is based on extensive discussions with Governments, NGOs and grass-roots women in Jordan, Lebanon and Yemen.

15. These three countries were all deeply affected by the consequences of the Gulf War, which compounded existing economic and social crises, including

unemployment estimates exceeding 30 per cent. As elsewhere in the world, women have generally paid the heaviest toll during this time of economic hardship. Obliged by dire need to join the work force, women face sexual discrimination and psychological pressure from communities that generally view men as the sole breadwinners for the family. All too frequently, this means that men take precedence over women in terms of job opportunities. This situation exacerbates the existing impediments to women's economic activities, which include lack of access to information, business management training, technology and credit. UNIFEM is using a programme approach that simultaneously focuses on assisting government and non-government institutions involved in income-generating enterprises for women to strengthen their ability to do strategic planning and to make certain that their services actually reach low-income women. To ensure future capacity and sustainability, other key components of the programme include the training of trainers and the establishment of an information and resource centre.

C. Latin America and the Caribbean

16. Throughout the world, women of all social classes and races are threatened or constrained in their everyday lives and work by the fear of overt and/or indirect violence. Whether routinely battered, sexually coerced or mentally abused, women often become part of the vicious circle that keeps them imprisoned. Weakened and isolated, afraid and unsure of themselves, they become in effect their own jailors, unaware of or afraid to exercise their full human rights and potential. In Latin America and the Caribbean, UNIFEM has worked with women of the region to call attention to the immediate negative impact of violence and to shed light on the long-term extent to which aggression against women is a major factor preventing women's full participation in the development process. UNIFEM has supported networking efforts between and among women's anti-violence groups; broad-based public education programmes involving citizens, police officers, public officials, lawmakers and others; and direct advocacy work in shelters and women's centres throughout the hemisphere.

17. Increased official recognition of the dimensions of the problem of violence against women, coupled with the galvanization of women's groups around the issue, encourages UNIFEM to continue its innovative support. In August 1992, women from 21 countries in the region gathered in Brazil for a UNIFEM-sponsored conference on women and sexual and domestic violence. This conference laid the groundwork for the building of a Latin American and Caribbean network on domestic and sexual violence. In Venezuela, UNIFEM continues to support an innovative, gender-awareness training programme, developed by the Venezuela Association for Alternative Sexual Education (AVESA) for police officers and university security personnel attending to battered women in Caracas. Since the programme was initiated in 1989, over 450 officers (fully one fifth of them women) have been sensitized to the issue. An additional 1,000 officers and/or security staff will be trained by AVESA with the Fund's support over the next 12-month period. UNIFEM has encouraged and supported AVESA efforts to share this model training programme with other countries of the South. In addition, since mainstreaming and mobilization of resources for the support of these initiatives is important, in June 1993 UNIFEM is co-hosting, with the Government of the Netherlands, an

international seminar that will provide a setting for dialogue among policy makers, donors, and women who have developed effective approaches to reducing violence.

18. Throughout the developing world, women are intimately linked to the food systems whereby they sustain themselves and their families. In Latin America, rural women have historically combined domestic labour with work in subsistence agriculture and cash-cropping. Poor urban women, finding it evermore difficult to provide for their families under conditions of widespread macroeconomic austerity, have become involved in user-managed soup kitchens, micro-enterprises, storage centres, and communal shops. Women's struggle to feed themselves and their families is compounded by little or no access to land ownership, to credit, to appropriate technology for small-scale production, to quality control for marketing, or to organizations through which they could work more successfully together to promote their interests as women and food producers.

19. UNIFEM, therefore, has, developed a technology support preparatory assistance programme in the Andean region to help ensure food security among women while at the same time fostering the emergence of women's groups organized around agriculture and resource-use issues. Within the context of this programme, an Andean regional women's food technology contest was held to draw attention to women's success in producing and marketing staple foods and innovative new products for local consumption. These include growing cereals and grains; engaging in terrace agriculture; raising guinea-pigs; and producing dried bananas. UNIFEM has also supported networking efforts among indigenous grass-roots women's agricultural groups and productive associations; and the Fund has encouraged inter-agency collaboration on economic and applied educational issues related to food production, fostering gender-sensitive discussion of the inter-relationship between rural development, the informal sector, and environmental issues.

20. An example of UNIFEM efforts to strengthen existing regional networks can be found in the support which the Fund continues to offer the Women and Development Unit (WAND) of the University of the West Indies. For the past several years WAND has served as a resource and clearinghouse for community-based Caribbean networks, groups and organizations, as well as for the staff of key national, regional and international programmes interested in alternative development strategies. With UNIFEM support, WAND is seeking to analyse how women's NGOs can transform themselves into effective vehicles for social change, and to assist these groups in their efforts to increase the impact of their work through improved networking, management systems and fund-raising activities.

D. Global initiatives

21. Apart from its regional programmes, UNIFEM objectives are also realized through certain global initiatives that focus attention across regions on matters of particular and immediate concern to the international community at large. For example, the UNIFEM programme entitled "Women, Environment and Development" successfully positioned the Fund within the multilateral sustainable development effort, ensuring that women's concerns are a part of

the international agenda, building consensus among women's groups, raising awareness of women's roles in environmental management, and influencing policy decisions in favour of women.

22. A key aspect of this mainstreaming exercise was the UNIFEM support to the UNCED secretariat in the person of a Special Adviser on Women, Environment and Development. This proved vital in ensuring that these concerns were integrated into all relevant programme areas of the UNCED Agenda 21. Indeed, while the sectoral chapters of Agenda 21 provide important recommendations for women, environment and development, Chapter 24, entitled "Global Action for Women Towards Sustainable and Equitable Development" represents a milestone, providing, as it does, direction for implementation, monitoring and accountability by the international community on action programmes to promote women, environment and development.

23. In other related activities, UNIFEM held technical briefings, round-table meetings and workshops; participated in numerous international conferences; and supported an international women's caucus of delegates, officials, NGOs and parliamentarians attending the preparatory committees and the Earth Summit. Through presentations to the media, as well as speeches and briefings prior to and during the forty-seventh session of the General Assembly, UNIFEM also succeeded in raising awareness on the issue of women's access to high-level decision-making positions in the post-UNCED institutions. These efforts were supported throughout with substantive publications. Approximately 40,000 copies of an award-winning environment kit and poster in English, French and Spanish were distributed at the Earth Summit. In addition, UNIFEM's environmentally correct buttons were reported by the press as being the "hit of Rio" and have gained international popularity. Furthermore, the joint UNIFEM/UNCED publication, Agenda 21: An Easy Reference to the Specific Recommendations on Women, has made a strategic contribution to promoting further actions on WED at the international and national levels.

24. UNIFEM programme staff benefited immeasurably from the assignment of a Netherlands-funded technical adviser on WED to UNIFEM. The Fund is currently drawing up its own strategy to promote the implementation of the recommendations of Agenda 21. In addition, membership on the UNDP Environment Action Team, the UNDP Steering Committee for Capacity 21, and the UNDP GEF Small-Grants Programme Committee provide the Fund with opportunities to mainstream WED further into UNDP policy and operational activities.

25. Global initiatives allow UNIFEM to use its position within the United Nations system and its strong ties to the international women's movement to voice the concerns of the majority of the world's women who live in poverty and to ensure that a gender dimension is incorporated into international geo-political and economic debates. In this respect, the UNCED experience may be seen to have yielded certain important lessons for UNIFEM in relation to future global activities: (a) the visible presence and participation of women at the policy-making level is critical for mainstreaming WID issues and interests; (b) the support of grass-roots women, and the articulation of their concerns in public forums can be a powerful tool for empowerment and advocacy; (c) the model of intervention used in the UNCED process may be applied, for mainstreaming purposes, to other areas and other issues; (d) micro-macro

interventions make it possible for women to resolve complex issues surrounding the impact of gender in development.

26. The UNCED experience is already being applied to the Fund's strategy on women refugees. UNIFEM is now reviewing how it may institutionalize the UNCED model within its programme of work, extending it to other critical areas such as international trade.

III. ORGANIZATIONAL MANAGEMENT

27. In an effort to strengthen the quality of its work, UNIFEM regularly reviews, modifies and streamlines the system for programme and project development, appraisal and approval. The introduction of a phased plan for the devolution of certain financial/programme approval authority to regional programme advisers is well under way. These improvements in management processes have contributed over the past two years to achieving significant increases in programme delivery as well as reducing the interval between project approvals and the initiation of implementation.

28. Underpinning the Fund's considerable progress in clarifying its vision, expanding the scope of its work, and achieving its targets, has been the reconfiguration of the organization to underscore the importance of the people who work at UNIFEM - to emphasize the connections between them instead of the divisions and rankings that separate them. As technology propels organizations forward into profoundly new ways of working, characteristics such as flexibility, inclusiveness, transparency and accountability are increasingly essential to frame and facilitate work methods. The implementation of the Performance Appraisal Review system has assisted in distributing both responsibility and opportunity more evenly throughout UNIFEM. It has also proven to be a powerful mechanism for clarifying expectations and for ongoing negotiations about work priorities. It ensures that everyone who is responsible for an outcome is entitled to discuss performance indicators and to share in the definition of what will be seen as success. Finally, it has been a valuable management tool for identifying training needs and supporting professional development. Participation in the UNDP's Management Skills Programme has also helped UNIFEM's managers to strengthen performance and increase the organization's credibility by more effectively aligning what UNIFEM says about development with how it actually manages it.

IV. PUBLIC SUPPORT

29. In response to demands from the field and the expressed opinion of delegates at the thirty-eighth session of the Governing Council (1991) that UNIFEM should be doing more in the way of sharing ideas and influencing change, the Fund created the Advocacy Facility, which became operational in January 1992. Since then, significant progress has been made in the preparation and production of papers, training materials, books, newsletters, videos and other women-in-development resource materials, as well as in the marketing and distribution of these and other publications.

30. The first issue of UNIFEM News was printed and distributed in January 1993. Manuscripts already available to UNIFEM have been reviewed and five of the most interesting have been updated for publication. Other manuscripts have been acquired through co-publishing arrangements with NGOs and commercial publishers in both the South and the North.

31. The Editorial Advisory Committee, comprising 20 of the world's leading thinkers and activists on WID issues, has been established. The Committee is already helping to determine priority areas for documentation and is playing a key role in assisting UNIFEM to define its communications strategy up to 1995. The marketing and distribution of WID materials is being handled by Women Ink, a new service established by the International Women's Tribune Centre with UNIFEM support. Several other agencies have expressed an interest in utilizing Women Ink, and it is expected that the service will be self-financing by 1996.

32. With the approach of the Fourth World Conference for Women in 1995, much thought is being given to ways in which UNIFEM's Advocacy Facility can assist in ensuring that relevant experiences are documented and made available in a timely manner. UNIFEM funds will be used not only for its own publications/videos, but also to support important advocacy initiatives of other agencies, such as a gender-focused edition of the UNDP Human Development Report, 1994, and a second edition of "The World's Women", itself a collaborative, inter-agency effort, scheduled for publication in 1995.

33. UNIFEM national committees, active in almost 20 countries, continue to play a critical role in building a constituency of support for the Fund both with their respective Governments and within their larger societies. There are official UNIFEM national committes in 13 countries (Australia, Belgium, Denmark, Finland, France, Germany, Iceland, Japan, New Zealand, Norway, Philippines, Sweden and the United States) and seven committees with observer status (Austria, Canada, Ireland, Italy, Netherlands, Spain and Switzerland). For its part, the UNIFEM support network now extends beyond the global and regional networks already mentioned to include academic and policy-oriented networks such as DAWN; grass-roots networks such as GROOTS; and specialist networks of the media, science and technology, the private sector and parliamentarians.

34. During the first biennium of the decade, UNIFEM has gained an increased visibility among the international community and a steady increase in support from donors. The rate of growth in the core budget has been matched by increases in extrabudgetary support, and funds from other sources such as international women's groups, national committees and foundations have consistently expanded. However, in light of the decrease in official development assistance from some donor countries and the appreciation of the dollar against currencies of major donors, the Fund has witnessed a levelling-off of donor support for 1993. Mindful of the need to ensure that women in developing countries do not again fall victim to global austerity, UNIFEM will pursue a vigorous fund-raising effort for 1993-1994. It is anticipated that the Fund's growing advocacy for women in the years leading up to the Fourth World Conference on Women, 1995 should help provide the right climate for renewed growth.

35. Since her appointment by the Secretary-General in March 1992, UNIFEM's Goodwill Ambassador, Julie Andrews, has played a significant role in drawing world attention to the needs of poor women in developing countries and to UNIFEM activities. The Fund takes pride in this new partnership and looks forward to the increased opportunities it will bring to UNIFEM.

V. FUTURE DIRECTIONS: THE ROAD TO BEIJING

36. UNIFEM preparations for the Fourth World Conference on Women form part of a larger multilateral, system-wide effort to highlight women's full participation in economic, social and political life. The Conference will address both the strategic needs of women (i.e., their access to power) and their practical needs (i.e., their access to resources). UNIFEM will use the considerable experience gained during the UNCED process to support the work of the Conference secretariat. More specifically, the Fund is committed to a series of initiatives that stress capacity-building, empowerment, collaboration and the promotion of micro-macro linkages.

37. UNIFEM will seek to ensure the broadest involvement of women's grass-roots organizations in the Conference, and will work to strengthen women's networks, support national machineries and facilitate their participation in regional preparatory activities leading to the Conference. A fourth focus will be on women's innovative contributions to mainstream science and technology. Finally, by collaborating in the statistical update of "The World's Women" and assisting the UNDP in the preparation of the woman-focused Human Development Report, 1994 as mentioned above, the Fund will contribute to strengthening substantive discussions and giving visibility to women's issues throughout the period leading up to and including the Fourth World Conference on Women.

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UNITED NATIONS CAPITAL DEVELOPMENT FUND

Report of the Administrator

SUMMARY

This report is submitted in accordance with General Assembly resolution 36/200 of 17 December 1981, which directed that, beginning in 1983, a broad policy review be undertaken on a biennial basis of those funds and programmes that are managed by the Administrator and are under the guidance of the Governing Council.

In addition to reviewing the operations of the United Nations Capital Development Fund in 1991 and 1992, this report contains information on the UNCDF loan facility, the Fund's experience with revolving funds and the findings of the study on participatory activities, as requested in decision 91/39.

The report ends with a consideration of the development of UNCDF policy in the 1990s in which an area-based programme approach is proposed for the immediate benefit of local communities.

INTRODUCTION

1. Recent world-wide political and economic changes have presented new challenges for the least developed countries (LDCs), but they have created some new opportunities as well.

2. There is a widening gap between needs and resources. Evidence points to a steady increase in the number of poor people in these countries, while concessional aid flows to them stagnate, despite the commitments made in the Programme of Action for the Least Developed Countries for the 1990s. The resource pull exerted by the former second world, the demands of peace-keeping operations and emergency relief and the recession in the industrialized world, possibly allied with some degree of disenchantment on the part of donors, all play their part.

3. On the other hand, two trends now under way should allow aid resource inflows to be used more effectively than in the past and must be exploited by the United Nations Capital Development Fund (UNCDF). First, the market reforms which are being carried out in a large number of least developed countries are unleashing productive energies hitherto dormant. Second, political reforms and the spread of democracy provide greater scope for local communities and local government authorities to pressure for efficient resource allocation and to participate in development efforts whose success is assured.

4. Both these trends are themselves threatened, however, by the persistence of widespread poverty, to which renewed attention is now being given after a period when the development debate was dominated by issues related to macroeconomic stabilization and growth. It is increasingly admitted that while macroeconomic reforms may be necessary to ensure poverty reduction over the long term, they are not sufficient.

5. This renewed attention to poverty is associated with an emerging consensus on the shape of poverty reduction strategies in which positions which were previously polarized are now converging. There is growing recognition that there need be no conflict between poverty reduction and the attainment of growth objectives. Indeed, the study on rural poverty recently prepared by the International Fund for Agricultural Development (IFAD) presents powerful evidence that growth strategies cannot succeed unless they are directed towards the poor. Further, the debates surrounding the United Nations Conference on Environment and Development showed that while economic and environmental goals are at times in conflict in the rich countries, the root cause of natural-resource degradation in least developed countries is often poverty itself, with the result that environmental and economic goals coincide. Finally, it is gradually being accepted that poverty reduction itself requires a balanced mix of productivity-raising investments and basic economic and social infrastructure.

6. Agreement on such fundamental questions among different parties in the development effort means that closer attention can be paid to the substantive details of growth strategies oriented towards the poor. The renewed focus on poverty as the overriding problem is important for the Fund since it has long been active in devising and implementing practical, locally tailored solutions

to the problem of poverty in least developed countries by providing productive assets in combination with economic and social infrastructure.

7. The special role that the Fund has played and must continue to play in poverty reduction strategies was recognized at the Tokyo Forum for Least Developed Countries, which it organized in conjunction with the Government of Japan in May 1991. In view of the expanded needs, however, the Fund cannot play its part adequately without an increase in resources, in line with the 20 per cent annual growth target recommended for it at the second United Nations Conference on Least Developed Countries.

I. PROGRAMME ACTIVITIES

8. Over the biennium, five countries (Cambodia, Madagascar, Solomon Islands, Zaire and Zambia) were designated LDCs, and Namibia was named an "as if" LDC. The number of countries eligible for UNCDF assistance has thus risen to 53. During the period, UNCDF fielded 14 planning and project identification missions, and projects valued at over $150 million have been retained as active pipeline projects. Owing to resource shortages, however, it has been possible to extend UNCDF assistance to only two of the additional countries to date.

9. The need to link capital assistance to institutional capacity-building means that UNCDF has maintained strong ties with UNDP and continues to operate in close coordination with other donors, both bilateral and multilateral. This coordination has included joint financing of individual projects (through various parallel, co-financing or trust-fund arrangements), UNCDF consultations with other donors in country programming exercises and active participation by UNCDF at round tables. It should, however, be noted that the recent relative decline in UNDP-resource availability has led UNCDF to investigate capital increasingly in engineering and management services.

10. Project approvals. In 1991, with pledges on the rise, the partial funding formula, revised in 1987, allowed project approvals and grant increases to rise to a record level of $86.3 million. Details were reported in the 1991 UNCDF Review, issued in celebration of the twenty-fifth anniversary of the Fund.

11. In 1992, contributions declined by 9 per cent by comparison with 1991. The negative impact of this development was disproportionate because of the effect had by the partial funding formula on the Fund's ability to enter into new project commitments. Only $56.3 million were approved in 1992, amounting to nearly the maximum permitted under the formula and coinciding roughly with the 1987 level. The new projects approved are described in annex I.

12. Project expenditures. Total project expenditures for 1991 amounted to $45.5 million, of which $44.6 million came from general resources and $900,000 from co-financing. This represents an increase of 11 per cent over 1990. Projections for 1992 indicate expenditure will be in the $50-55 million range, which is higher than in any previous year. The maximum projection represents a rise of 21 per cent over 1991. Should it prove correct and should income from interest be lower than expected, UNCDF's accumulated resources would drop by approximately $8.4 million, or 9 per cent.

13. Although the UNCDF delivery rate has risen recently, it is still unsatisfactory, and the Fund is examining modalities for improving its delivery. It must, however, be recognized that mechanisms to ensure popular participation cannot be established in haste and that the political systems of many LDCs are in transition. Both of these factors compromise the ability of the Fund to deliver goods and services. As participatory mechanisms are gradually established and transitions effected, an upturn in the Fund's delivery rate is expected to occur.

14. Programme content. Projects with a wide range of objectives were identified or approved during the biennium. These may be classified broadly as being aimed at either increasing the productivity and household income of the poor or improving their access to basic social services. UNCDF has endeavoured to design projects which are not only technically and economically viable and sustainable but are also innovative and therefore easily replicated by donor agencies which fund larger amounts of capital.

15. The 1992 sectoral breakdown of new project approvals reflects the following distribution of capital assistance: (a) productive activities, including agriculture and the promotion of enterprises (63.6 per cent); (b) economic infrastructure in the transport sector (15.9 per cent); (c) basic-needs infrastructure (water supply and sanitation) (20.5 per cent). Over 50 per cent of new approvals specifically targeted women as beneficiaries.

16. In-house training and staff development. UNCDF benefited from a trust fund financed by Norway for the purpose of improving staff skills in the programming and management of projects aimed at the realization of sustainable development and of minimizing the possibility of projects' having an adverse environmental impact. This fund made it possible for staff members to participate in a specialized training course conducted by London University. Environmental guidelines pertaining to the UNCDF project cycle have also been prepared, and a training workshop on their use is planned for 1993.

17. A workshop on the economic and financial analysis of projects was organized for staff members in early 1992 with the participation of the Economic Development Institute (EDI). This exercise will be repeated at regular intervals.

18. Loan operations. The information on the UNCDF loan facility requested in decision 91/39 is contained in section A of chapter V below.

19. Revolving funds and credit. The information on the Fund's experience with revolving funds requested in decision 91/39 may be found in section B of chapter V below.

II. EVALUATION ACTIVITIES

20. Project evaluations: lessons learned. During the 1991-1992 biennium, UNCDF undertook 26 evaluation missions: 8 ongoing, 17 completed and 1 ex post facto. It was found that while most of the projects evaluated attained their immediate objectives, flaws in project design have persisted, especially as pertains to the overestimation of institutional capacity, which has delayed

implementation and threatened post-project sustainability. Furthermore, while a number of projects have efficiently achieved their intended outputs, the attainment of ultimate project objectives has been more modest because of excessive optimism in the initial assessment of impact potential in project areas, as happened, for instance, in the case of a road and reafforestation project in Burundi.

21. There are, however, many instances of positive project impact on beneficiaries. For example, a biogas project in Nepal established biogas as an alternative energy source nationwide, reducing fuelwood consumption and the daily workload of Nepalese girls and women. The feeder roads project in Bhutan prompted a surge of economic activity in the villages served and provided beneficiaries in remote hilly regions with better access to both basic services and markets. On the other hand, it must be noted that meaningful, rigorously performed impact-assessment continues to be compromised by a lack of socio-economic baseline data from which to start. As a consequence, the ultimate impact of projects is all too often assessed on the basis of evidence which is merely anecdotal. Measures are being taken to ensure that adequate baseline data is collected at the inception of projects.

22. Management of the evaluation process. The evaluation has evolved in three phases: (i) development of an evaluation methodology; (ii) development of an evaluation portfolio covering over 150 projects; (iii) improvement of feedback and data-analysis. During the biennium, the last phase has been implemented by creating the Evaluation Review Committee (ERC) and launching the computerized Project Monitoring and Evaluation System (PMES). The purpose of ERC, which is chaired by the Deputy Executive Secretary and serviced by the Policy Planning and Evaluation Unit, is to review each evaluation report and ensure that its findings are fed back into both programme divisions. The main advantages of PMES are: (i) better use of evaluation findings due to improved access to them and greater ease in comparing them and (ii) improvements in the scope and quality of the evaluation exercise itself. More complete data will be systematically generated and recorded during the implementation phase and made available to evaluation missions, which can then concentrate on their verification and analysis and on impact assessment.

23. Thematic review of participatory activities. The information on the findings of the study on participatory activities requested in decision 91/39 is contained in section C of chapter V below.

III. FINANCIAL STATUS OF THE FUND IN THE 1991-1992 BIENNIUM

24. Resources. Pledges for 1991 collected in that year reached $42.7 million, which represent an increase of 6 per cent over the previous year and set a record. Unfortunately, contributions for 1992, which have been estimated at $39.6 million, show a decline of 9 per cent from the amount pledged in 1991. Competition for ever-scarcer public resources at a time of recession at home and political change abroad has put unforeseen demands on some UNCDF donors traditionally characterized by their generosity. The inevitable result has been a serious reduction in the capacity of the Fund to approve new projects. Contributions projects for 1993 at the time of the Pledging Conference represented an increase of 3 per cent. In December 1992, however, when

exchange-rate fluctuations were taken into account, estimates of pledge income for 1993 showed a decrease of 5 per cent from 1992 and of 13 per cent from 1991.

25. Effect of the partial funding formula. The dollar value of new project commitments in any given year is determined by the application of a partial funding formula. The formula was introduced and later modified in order to allow a higher level of project approvals than would be the case under full funding, on the understanding that more approvals would result in increased deliveries of goods and services and thus in the drawdown on and use of the accumulated resources of the Fund. The formula puts a cap on the total value of outstanding commitments, which is based on both the amount of available resources (not including the operational reserve) and the level of expected contributions to the general resources of the Fund measured on the basis of the pledges made each year. Total outstanding commitments are not allowed to surpass the amount of available resources plus five years of pledges. Co-financing is not taken into account in the formula because normally donors place restrictions on its use.

26. With pledges rising in recent years, the Fund was able to increase annually its new project commitments from general resources. The drop in pledges in 1992, combined with the high levels of new project approvals over the previous four years, meant that 1992 was the first year in which the ceiling set by the formula was very nearly reached with new project commitments, including grant increases, amounting to only $56.3 million, a 35 per cent decline from the amount committed the preceding year. The estimated decline in pledges in 1993 will allow UNCDF to programme a maximum of $62.5 million from general resources, grant increases included. Income from a recently concluded co-financing agreement with Germany for $3.1 million for a project in Guinea would free an equivalent amount in general resources and allow approvals in 1993 to reach $65.6 million, which is still 24 per cent lower than their value in 1991.

27. Ironically, this decline in approvals will have occurred in a year when the thinking behind the formula is being proved correct: the projected maximum delivery level from general resources amounting to $53 million ($2 million in estimated 1992 expenditures corresponding to co-financing agreements is not included) will consume an estimated $6 million of accumulated resources. Lower interest rates on UNCDF investments and the consequent drop in interest income for 1992 will consume an additional $3.5 million, which will be offset in part by $700,000 in loan repayments from Botswana. As mentioned in paragraph 12 above, the total drop will amount to $8.8 million, or 9 per cent of the accumulated resources of the Fund. As shown in annex II, with delivery projects for the next few years keeping pledges constant, UNCDF will continue to consume its accumulated holdings (exclusive of its operational reserve) at an accelerating rate. By the end of 1997, nearly 80 per cent of current available resources accumulated from prior years will have been consumed (see line 14 of the table in annex II). In the more optimistic scenario, 85 per cent will have been consumed.

28. Thus, in a sense, UNCDF is falling victim to its own success in utilizing money which serves as one of the two points of reference of the partial funding formula in a year when the other point of reference - pledges - will be even lower than two years previously. While this simultaneous shrinkage constitutes

no short- or medium-term threat to the Fund's financial stability, it doubly compromises its current ability to approve new projects.

29. Resource requirements. Not only is the "pie" of UNCDF assistance shrinking, it must be cut in smaller pieces with the addition of six new nations to the list of eligible recipients. The effectiveness of the Fund is threatened by the lack of sufficient resources to make the desired synergy workable. These prospects are highly undesirable for LDCs, whose needs are obviously enormous. Increased efforts must be made to mobilize resources from donors, thereby demonstrating that the performance in 1992 was the exception rather than the rule. The outlook for 1993, while still uncertain, does not, at best, represent much of an improvement.

30. While co-financing is always a desirable option, its value to UNCDF is lessened by the fact that in terms of programmable resources, its dollar impact is one to one, whereas under the formula, general-resource contributions enable UNCDF to programme new projects whose dollar value is five times greater. Nevertheless, UNCDF has not been inactive in seeking co-financing. Co-financing in the next few years from Germany and the Netherlands alone could total nearly $15 million.

31. While new needs have arisen, old needs remain, as recognized by the international community at the second United Nations Conference on the Least Developed Countries held in Paris in September 1990, at which it was agreed that the general resources of the Fund should increase by 20 per cent per annum through the end of the present century. Annex II to this document shows the impact both of zero growth and of the targeted growth of 20 per cent. With no growth, approvals drop from a high of $62.5 million (not including $3.1 million freed for general resources following the project financing for Guinea provided by Germany) at the start of the period to $47.5 million by 1997. With 20 per cent annual growth, approvals begin to exceed $100 million in 1995, reaching $142 million by 1997.

32. Since its establishment more than 25 years ago, UNCDF has favoured the most vulnerable recipients, as prescribed in its terms of reference. At present, UNCDF has before it requests for $210 million in financing for projects. For the Fund to reduce activities while the international community is increasingly confirming both the effectiveness and the appropriateness of aid modalities would be a great setback for poverty reduction in the poorest countries.

IV. ADMINISTRATIVE MATTERS

33. A plan to automate most of the business processes of the Fund is now being implemented and will eventually accelerate the flow of information and response time in most operations. Project monitoring and evaluation and all aspects of financial management have received priority attention. While these advances will have long-term staffing implications, it is too early to predict them accurately.

34. Given the decisions made regarding UNCDF at the second United Nations Conference on the Least Developed Countries and the most recent session of UNCTAD, the Administrator is of the view that the Fund should still plan on

increased resources for the coming years. No significant increases are expected, however, in the administrative budget of the Fund for the 1994-1995 biennium. Every effort is being made to contain or reduce costs. The Technical Support Facility (TSF), formerly known as the Programme Support Budget, continues to finance the services of the Fund's five technical advisers and secretarial support at Headquarters and the 35 Field Implementation Units in countries where UNCDF is most heavily engaged. The Facility is supported by a percentage charge on each project. With approvals declining at least in the short term, UNCDF anticipated an imbalance of expenses over income and received approval to increase the percentage charged from 3 per cent to 4 per cent with effect from 1 January 1991. At the same time, it is attempting to hold the line on the costs of TSF activities, which have been a factor behind the higher levels of delivery in recent years. Those costs amounted to $2.4 million in 1991, and as a result of support-staff reductions at Headquarters, will be the same in 1992. Since such activities are kept under continuing review, their cost may even fall in 1993 and beyond.

35. Last year it was decided that TSF would no longer absorb the costs of developing project proposals which turn out not to be available and are therefore not approved. Such write-offs average approximately $450,000, and represent less than 1 per cent of annual deliveries in 1991 and 1992. The value of such "natural wastage" is not expected to rise significantly in the years to come.

36. With rising project delivery and steady or declining administrative and other support costs, UNCDF is expected to have experienced a decline in overhead costs in 1992 by comparison with 1991, when total administrative and TSF costs represented 15.4 per cent of deliveries. That figure is expected to have fallen to 13 per cent in 1992. Since administrative costs are not expected to increase in the next biennium while expenditures will continue to rise, overhead ratios are likely to continue to decline.

V. INFORMATION REQUESTED AT THE THIRTY-NINTH SESSION

A. Loan operations

37. In its decision 91/39, the Council requested the Administrator to make a progress report on and outline his plans for the future of the concessional loan facility activated under decision 85/24 of 28 June 1985.

38. Four loan agreements - three relating to Botswana and one to Nepal - whose total value is $13 million, have been signed, brought into force and fully disbursed. The terms of all four include a three-year grace period following initial drawdown and a seven-year, interest-free repayment period. There is a one-time loan-service fee of 3 per cent.

39. Projects are granted loans on the basis of the macroeconomic situation and absorptive capacity of the recipient country, their estimated contribution to the development of their country's productive sectors, their estimated capacity for generating foreign-exchange income and for repaying the loan from their profits and the usual considerations of technical and economic feasibility.

40. The sum of $500,000 was loaned to finance part of a project in Nepal aimed at fostering the use of biogas as an energy alternative to fuelwood and imported fuels. Great caution was exercised in extending this loan, given the shortage of foreign exchange and the balance-of-payments situation of the recipient country. The project has been successful and is nearing completion. The initial drawdown of $300,000 was made in June 1989. It was foreseen that the necessary foreign exchange would be generated through savings on fuel imports. The repayment process has been initiated.

41. The three loans to Botswana include $5 million for the construction of 104 kilometres of secondary roads for improved agricultural production and marketing; $2.7 million for a water-supply and sanitation scheme to cope with the rapid growth of tourism in the northern part of the country and $4.7 million for the construction of secondary schools to produce enough school-leavers to occupy empty jobs in both the public and the private sectors. Botswana's strong foreign exchange holdings and favourable macroeconomic position were key considerations in the selection of these projects. In the first instance, the loan is to be repaid and the roads maintained by charging transport-users higher fees and by levying marketing and other taxes. Drawdown took place in December 1989, and repayment has begun, drawdown on the second loan took place in December 1990, and no repayment problem is expected in connection with it or with the third loan, on which the drawdown took place in June 1992.

42. UNCDF loans have gone first to projects benefiting the poor in rural areas or in towns and villages outside the capital and other major cities. The second priority has been to enhance private-sector productivity. In order to further this aim, they have been used as a modest infusion of "venture capital" in areas where such funds are scarce and the risks to private investors are daunting. It should be noted that the internal rates of return on all projects benefiting from UNCDF loans have proved to be impressively positive. Because of the repayment obligation, the third requirement for a UNCDF loan is that there should be discipline and clear focus between lender and borrower at the outset. Borrowers must demonstrate ability to repay and sufficient internal management capacity to ensure coherent financial organization. Firm institutional and contractual arrangements are the sine qua non of the loan programme. Fourth, loans must not reduce UNCDF's resources; they must be regarded as assets which will eventually be used to benefit other LDCs. Finally, it should be borne in mind that loans have not added appreciably to the administrative costs of the Fund.

43. Arguments for continuation of the loan facility, albeit within modest levels, are compelling although grants are of clearly greater value to the debt-encumbered countries served by the Fund and will therefore remain the centrepiece of its programmes. Even if increased lending were intended, plentiful opportunities do not seem to exist for UNCDF-style lending; the loan programme currently represents roughly 5 per cent of the total outstanding commitments of the Fund. The Administrator requests that the Council authorize the continuation of the loan facility within UNCDF.

B. Revolving funds and credit

44. In accordance with Governing Council decision 91/39, the Administrator wishes to address the experience of UNCDF with revolving funds and credit, thereby updating his report on the same subject to the thirty-eighth session of the Council.

45. During the biennium, UNCDF approved 18 projects which included credit. The total approved amount of these projects was $56.9 million, of which $17.6 million related to their credit components. The credit components of many of them consist of minor but essential activities in wider rural-development initiatives; in other projects offering support to small entrepreneurs or farmers they constitute the principal activity. In recent years UNCDF has financed the following credit programmes for lower-income entrepreneurs.

46. In projects in Senegal, Tanzania and Lesotho, micro- and small-scale enterprises are given access to credit through collaborative arrangements between commercial banks and specialized intermediaries (NGOs, small industry and trade associations and cooperatives), under which the latter identify and appraise borrowers and provide ongoing monitoring services and are tracked by the banks through the performance of borrowers. Commissions are paid to them on the basis of successful recovery.

47. The Fund has worked through existing micro-credit institutions in Bolivia and Bangladesh (Grameen Trust), adopting their methods of directing poor people - women, in particular - to new markets or areas of activity. Thus, it pioneered in the funding of a $1.7 million facility to assist grass-roots NGOs in LDCs world wide, using training and backup by Grameen Trust and providing small grants ($50,000) as seed capital to initiate credit programmes for the poor.

48. A revolving lease fund was set up to assist small passenger- and goods-transport operations in four rural districts in Malawi, first by overcoming an extreme shortage of vehicles which seriously curtails the movement of people, crops and inputs, thus limiting farm production in poor areas and second by encouraging the Government to relax restrictive national transport regulations in order to restore the economic viability of rural trucking. A project in Bangladesh will provide credit and technical support for 1,000 landless and other poor farmers (30 per cent of them women) to enable them to engage in fish-farming integrated with the intensive culture of duckweed as a low-cost feed source. The prospects of replicating this technology are most promising to a land- and biomass-scarce economy, such as that of Bangladesh.

49. All such approaches aim to develop mechanisms which are financially sustainable, by reducing the administrative costs of small-scale lending programmes through greater use of intermediary groups and by charging close-to-commercial rates of interest and/or service fees. UNCDF experience of overly subsidized lending programmes corroborates that of other agencies: not only does it undermine the financial sustainability of lending institutions but also, wealthier borrowers tend to benefit disproportionately.

50. Revolving funds have been used to facilitate access to form inputs in irrigation projects financed in Guinea, Viet Nam, Mali and Bangladesh and

identified in Lesotho. In these projects emphasis is placed on operation and maintenance and on the provision of equitable access to water. An attempt will be made to recover the full cost of the project in Bangladesh, which is being implemented by a management foundation owned by Grameen, by selling water and farm inputs to as many as 90,000 farmers. The project will generate substantial wage-employment which will benefit landless women, in particular. The project in Viet Nam will assist the Government in redirecting national policy on operation and maintenance following the transition from a command to a market economy and the decline in the role of cooperatives.

51. Fishery projects have been financed through revolving funds in Nicaragua ($3.6 million) and Eritrea ($2.9 million). In both instances a major concern has been to encourage the return of private suppliers of fishery inputs.

52. A rural market project in Nepal has been approved for financing, and similar projects have been identified in Bangladesh and Yemen. These investments encourage local agricultural production through more efficient marketing procedures, and their financial viability is ensured by exacting fees from traders. Women farmers, in particular, are expected to benefit.

53. The Fund has approved road-infrastructure projects for opening up isolated parts of Laos, Mozambique, Senegal, Viet Nam, Yemen, Nicaragua and Sierra Leone and similar projects have been identified in Bangladesh and Lesotho. In these projects, maintenance has been an overriding concern. Whenever feasible, operations are subcontracted to small private firms, and care has been taken to strike the right balance between labour-based construction, which creates employment, and mechanized operations.

54. Village water-supply projects financed in Malawi, Guinea-Bissau, Equatorial Guinea and Senegal and identified in Lesotho, Mali, Cape Verde and the Gambia aim at reducing the workload for women, and at increasing the quantity of water consumed and improving its quality. Much attention has been paid to repair and maintenance arrangements and to linking the infrastructure provided to public-health education. In the Gambia the efforts of the Fund to promote the growth of a local well-contracting industry in the private sector have been replicated by the European Community.

55. The Fund has financed several microproject components within larger rural development projects and one or two projects which are tailored to an approach whereby the nature and location of small infrastructure investments are determined by local communities in the course of implementation rather than being predetermined at the outset. One such project, which is being implemented in the Central African Republic, has achieved such success that it is being replicated on a wider scale by the African Development Bank. It is planned to pursue this approach more widely in the future (see sect. VI below).

C. Thematic review of participating activities

56. In Governing Council decision 91/39, the Administrator is invited, in his report to the fortieth session, to address the findings of the UNCDF study on participating activities, which has included (a) an in-depth evaluation of UNCDF programmes in Mali, Benin, the Niger and Guinea, where socio-economic conditions

are comparable and (b) the preparation of a synthesis report as a contribution to the broader policy debate subsequent to the Conference on Environment and Development. This report explores ways and means of achieving sustainable human development in the context of poverty reduction.

57. In-depth evaluation. In the course of the evaluation in Mali a methodology was developed for achieving a better understanding of the sociogeographic context of project activities, and insights were obtained into the relationship between projects and the political structure of the villages towards which they were directed. Proposals were drafted for future interventions, taking the ecological characteristics of the region into account. In the case of Guinea, emphasis was placed on the economic assessment of the project results in view of the fragility of a production system which is dependent on a very narrow market demand. In Benin and the Niger, significant participation has been obtained through the construction of community-managed socio-economic and production infrastructure, but the involvement of groups and individuals in the use of funds for micro-credit, micro-projects and village banking operations has been slow to develop. It has also been observed that the absorptive capacities of the informal sector is low in remote areas.

58. The synthesis report spells out some ways of combining small-scale grant investment and local capacity-building with long-term environmental protection objectives.

59. The concept of a participative eco-development programme is grounded in a contractual mechanism between the programme and its partners. Programme inputs which meet needs identified by local communities in such areas as feeder-road infrastructure, water supply and the provision of dispensaries are traded against the commitment of those communities to undertake longer-term activities of benefit to the environment (e.g. reafforestation, land conservation). This approach, which is to be tested in a newly approved project in the Niger, also encompasses measures for encouraging more intensive and productive agricultural technologies in marginal areas in order to relieve pressure on fragile terrain. In such regions, parallel assistance in intermediary urban networks linked to target rural areas creates off-farm employment, which draws population away from over-exploited areas.

VI. POLICY DEVELOPMENT: UNCDF IN THE 1990s

A. Background

60. The main goal of the Fund is still poverty reduction, and UNCDF will continue to address it through a balanced mix of investments in which productivity- and income-enhancing measures work together with measures designed to improve access to basic social services.

61. The special role of the Fund in global poverty-reduction strategies was confirmed at the second United Nations Conference on Least Developed Countries and at the Tokyo forum. UNCDF has been engaged in an internal policy review exercise in order to define this role more specifically in the light both of the cumulative experience it has derived from its own programme operations and evaluation exercises and of the positive trends referred to in the introduction

to this report. Two interrelated themes are emerging from this exercise: (i) the comparative advantages of the Fund as a sponsor of innovative approaches and (ii) the compelling reasons for operating within area-based development programmes.

B. The comparative advantages of the Fund

62. The role of UNCDF as sponsor of innovative programmes derives from considerations of comparative advantage. Although the Fund stands very small alongside other donor agencies, the relative flexibility and small scale of its operations, which are associated with its size, put it in an ideal position to continue and expand the financing of initiatives which are genuine pilot schemes, devising and testing solutions to critical development problems associated with the provision of credit and of economic or social infrastructure, which can later be replicated by larger donors on a wider scale. Its performance of this role is further strengthened by the grant nature of UNCDF financing, which relieves recipient Governments of repayment burdens which might otherwise discourage them from embarking on ventures they may deem to be risky. The following are areas where the Fund is engaged in such activities but where there is great need for more experience in order to generate solutions.

63. Credit and savings. Despite the proven "bankability" of the poor, there is still urgent need, particularly in Africa, to develop institutional mechanisms which (i) mobilize savings and (ii) reduce the high administrative cost incidence of small loans, which is still the major problem facing both the public and the private banking sectors in lending to the poor.

64. Agriculture and rural development. There is evidence that all over the world the poor are becoming increasingly concentrated in areas which are agriculturally marginal and environmentally fragile, where poverty is inextricably linked to resource degradation. In these circumstances UNCDF must work with other donor and research agencies to develop participatory approaches to stabilizing land-productivity and ensuring the sustainability of resource systems and to promote production activities off the farm, as mentioned in paragraph 59 above. At the same time the Fund will take care not to neglect agricultural areas of greater potential which provide opportunity to reduce pressure on marginal areas and absorb productive capital more readily (through irrigation and credit schemes and the like). In such areas there is need to continue to develop solutions to such critical problems as irrigation-system operation and maintenance and the integration of the private sector into farm input, supply and marketing logistics.

65. Provision and maintenance of infrastructure. As already noted, the importance of basic social and economic infrastructure is now being re-acknowledged in the development debate after a period of relative neglect during the 1980s. There is need first to pursue participatory approaches which link infrastructure supply more closely to demand by increasing the involvement of local communities and local government authorities in the ownership of infrastructure or in the management of microproject funds. Second, financial mechanisms and user payment arrangements must be refined in order to ensure long-term maintenance of infrastructure assets.

C. Rationale for area-based approaches

66. At the same time, there are compelling arguments for the Fund to continue activities of the sort outlined above within area-based programmes. The small size of the Fund means that its resources have little impact if the activities it financed are scattered throughout the individual countries it serves. Concentrating activities within areas meets the goal of efficiency in two ways. First, it allows interlinking geographically proximate investments to operate synergistically thereby maximizing the impact of a programme. More particularly, it promotes better understanding of the interrelationships and dynamic linkages between intermediate urban centres and the rural areas surrounding them, making it possible to exploit them to better advantage. Secondly, it fosters more efficient logistic arrangements, which reduce the incidence of overhead costs for the implementation and monitoring and may justify the establishment of specialized programme-implementation units.

67. Perhaps the most important, and certainly the most exciting argument for an area-based focus is that it allows the Fund to build partnerships with local grass-roots organizations, NGOs and elected local government authorities at the district, provincial and municipal levels. This is important first because it associates such authorities with decisions on resource-allocation and project-design and gives them certain responsibilities in respect of the operation and maintenance of projects and increases the likelihood that investments will correspond to real needs and that they will be sustained in the long term. Secondly, it is perhaps the most effective way to support the declared intent of the Governments of many LDCs to decentralize responsibilities for development activities. It is therefore also supportive of trends which favour the replacement of centralized State structures by the pluralist civil institutions so vital to healthy democracies. In this regard, it should be stressed that NGOs are not the only alternative open to donors wary of central government structures; local governments represent a third way, which is particularly relevant to agencies operating on the scale of UNCDF.

68. Various constraints limit the extent to which UNCDF can follow this approach in many LDCs, and it is well to recall the lessons taught by the integrated rural development projects of the 1970s and 1980s, which often failed because of overcomplexity or overambitious attempts to raise productivity in resource-poor rural areas through the application of unproven technical packages. It should also be remembered, however, that a principal source of failure was the unsuitability of the institutional arrangements established to manage the myriad project activities, many of which were not linked to local political and administrative structures.

69. The failure of many such programmes lay in the "supply driven" approaches they took to the provision of infrastructure, operating through ministries which retained ownership. The UNCDF approach represents a reversal of this practice in that local communities and local governments which own the assets invested are empowered to demand inputs and services either from central government agencies or from the private sector. Its adoption will require close coordination with other donors to ensure the provision of the assistance required to build the capacity of local government institutions to plan, implement and manage additional capital funds; more particularly, considerable scope should be allowed for collaboration with UNDP.

Annex I

NEW PROJECTS APPROVED IN 1992

Country	Title	Project number	Description
Bangladesh	Integrated Aquaculture	1.9	To provide 1,000 landless farmers and smallholders in two of the poorest districts with the technology and credit financing needed to enter into fish farming based on the production of high-protein duckweed.
Benin	Improvement of Living Conditions in the Aguegues Lakeside Subprefecture	4.2	To help fishermen in the area to increase their revenues by introducing improved production techniques and a credit facility, constructing dikes, a wharf and other basic infrastructure and providing ferries and means of transport for opening up the area.
Central African Republic	Support to Rural Self-Help Development Activities	1.1	To expand an old UNCDF project to promote improved living standards and income-generating potential in the Ouham and Basse Kotto regions, stressing the development of community-level self-help infrastructure development and income-generating activities for women.
	Water Supply and Sanitation	3.7	To develop a permanent supply of good drinking water for 105,000 inhabitants of the Ombella M'Poko and Lobaye areas and to improve sanitation systems by drilling and equipping boreholes and increasing the number of latrines by at least 20 per cent.

Country	Title	Project number	Description
Equatorial Guinea	Rural Water Supply and Sanitation	1.0	To supply clean water and basic sanitation to 92,000 people in 270 villages of the continental region.
Eritrea	Fisheries Rehabilitation in Semhar Province	2.9	To increase food production by rehabilitating the fishing fleet and improving fish-landing and storage facilities and the distribution and marketing network.
Guinea-Bissau	Water Supply and Sanitation in the regions of Oio and Gabu	5.3	To improve the domestic water supply, in terms of both quality and quantity, to the benefit of approximately 120,000 people in the two regions through the construction of 380 boreholes and 750 municipal sanitation facilities equipped with latrines and watering places.
Madagascar	Guarantee Fund and Credit Line for Micro-enterprises	4.8	To promote the private sector by facilitating access to micro- and small enterprises through the creation of a credit guarantee fund intended to cover risk-sharing with selected national banks and venture-capital funds.
Malawi	Rural Motorized Transport	1.4	To upgrade the capacity for motorized passenger and freight transport in the districts of Dedza, Rumphi, Mulanje and Mwanza through the establishment of a fleet of 36 small-capacity trucks for lease to private operators and a revolving fund to finance the scheme.

Country	Title	Project number	Description
Mozambique	Road Rehabilitation in the Province of Zambezia	3.0	To open up an area with high development potential where returnees are expected to settle by reconstructing 100 kilometres of gravel road along with major and minor bridges between Gurue and Mutuali.
Nepal	Small Marketing Infrastructure	3.6	To meet demand for agricultural products and provide farmers with incentives for increased production by constructing collection and trading centres in the central region and in Pokhara and by establishing an information network and introducing improved packaging.
Nicaragua	Construction of a Bridge on the Jicaro River	0.9	To facilitate transportation, particularly of agricultural inputs and produce, in the La Vigia Valley by constructing a 75-metre bridge connecting major arteries on either side of the Jicaro river.
Niger	Integrated Rural Development in Mayahi	5.6	To restore the agroecological equilibrium and increase agricultural and livestock production, through contracts with village groups and families in 40 villages with a view to the reafforestation of about 10,000 hectares and the introduction of intensive agricultural techniques and income-generating activities.
Sierra Leone	Construction/ rehabilitation of Roads and Support to Labour-intensive Rural Works Programme in Moyamba	2.4	To open up the country's principal agricultural and fishery zone by reconstructing 196 kilometres of roads and bridges and establishing a maintenance system. Storage facilities will also be built.

Country	Title	Project number	Description
Uganda	West Nile Credit Project	3.1	To increase credit and savings opportunities for micro- and small-scale entrepreneurs of both sexes by establishing a credit fund and providing the physical facilities for it through CERUDET, an existing industrial and trade association.
Vanuatu	Boatyard and Mechanical Workshop Facilities	0.7	To increase the income potential of fishermen and the national food supply by upgrading facilities at the Luganville boatyard to permit the construction and servicing of modernized fishing boats capable of operating outside the traditional shallow fishing grounds.
Viet Nam	Industrial Credit Facility	3.7	To increase industrial potential in Quang-Nam Danang Province by establishing a credit facility for granting medium-term loans in foreign exchange for the purchase of machinery, equipment and spare parts by private and State-owned industrial enterprises producing consumer goods, textiles and fishery- and agro-based products.

Annex II

GENERAL RESOURCES AVAILABILITY AND UTILIZATION, 1987-1997 a/

(Millions of dollars)

	Actual					Estimated	Zero growth projected					20 per cent growth projected				
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
STATEMENT OF MOVEMENT IN GENERAL RESOURCES																
1 Available resources from previous year	95.3	98.2	103.8	97.8	100.9	101.2	92.4	72.0	53.5	39.7	28.5	92.4	72.0	53.5	38.8	26.2
Resources made available during the year																
2 Voluntary contributions received b/	31.5	35.5	36.5	39.5	44.5	39.6	37.7	37.7	37.7	37.7	37.7	37.7	45.2	54.3	65.1	78.2
3 Loan repayments	0.0	0.0	0.0	0.0	0.0	0.7	0.8	1.1	1.8	1.8	1.8	0.8	1.1	1.8	1.8	1.8
4 Other income	10.3	11.1	14.4	14.1	11.4	8.0	6.4	6.7	6.6	6.4	6.1	6.4	6.7	7.1	7.5	8.2
5 Reduction in operational reserve	0.0	0.0	0.0	0.0	0.0	0.4	2.7	4.1	3.7	2.8	1.8	2.7	0.0	0.0	0.0	0.0
6 Decrease in non-convertible currencies	0.1	0.0	0.1	0.0	0.5	0.0	0.0	0 0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7 Total resources made available during year c/	41.9	46.6	51.0	53.6	56.4	48.7	47.6	49.6	49.8	48.7	47.4	47.6	53.1	63.2	74.5	88.2
Resources used during the year																
8 Project expenditure	(30.7)	(31.3)	(45.7)	(33.9)	(44.6)	(48.0)	(61.0)	(63.2)	(58.6)	(54.5)	(51.3)	(61.0)	(63.2)	(67.1)	(73.1)	(82.0)
9 Administrative expenditure	(3.1)	(3.2)	(3.3)	(3.9)	(4.2)	(4.5)	(4.5)	(5.0)	(5.0)	(5.4)	(6.0)	(4.5)	(5.0)	(5.4)	(6.0)	(6.6)
10 Loans disbursed	0.0	0.0	(1.9)	(6.1)	0.0	(5.0)	(2.5)	0.0	0.0	0.0	0.0	(2.5)	0.0	0.0	0.0	0.0
11 Change in operational reserve	(5.2)	(6.4)	(6.1)	(6.5)	(7.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.4)	(5.4)	(7.9)	(10.5)
12 Change in non-convertible currencies		(0.1)		(0.1)												
13 Total resources used during year	(39.0)	(41.0)	(57.0)	(50.5)	(56.1)	(57.5)	(68.0)	(68.2)	(63.6)	(59.9)	(57.3)	(68.0)	(71.6)	(77.9)	(87.0)	(99.1)
14 AVAILABLE GENERAL RESOURCES AT YEAR END c/	98.2	103.8	97.8	100.9	101.2	92.4	72.0	53.5	39.7	28.5	18.6	72.0	53.5	38.8	26.2	15.3
15 Available resources	98.2	103.8	97.8	100.9	101.2	92.4	72.0	53.5	39.7	28.5	18.6	72.0	53.5	38.8	26.2	15.3
Restricted resources																
16 Operational reserve	33.0	39.4	45.5	52.0	59.3	58.9	56 2	52.1	48.4	45.6	43.4	56.2	59.6	65.0	72.9	83.4
17 Loans receivable			1.9	8.0	8.0	12.3	14.0	12.9	11.1	9.3	7.5	14.0	12.9	11.1	9.3	7.5

	Actual					Estimated	Zero growth projected					20 per cent growth projected				
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1993	1994	1995	1996	1997
18 Non-convertible currencies	0.9	1.0	0.9	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
19 Total restricted resources	33.9	40.4	48.3	61.0	67.8	71.7	70.7	65.5	60.0	55.4	51.4	70.7	73.0	76.6	82.7	91.4
20 Total general resources at year end c/	132.1	144.2	146.1	161.9	169.0	164.1	142.7	119.0	99.7	83.9	69.9	142.7	126.6	115.4	108.9	106.7
STATEMENT OF TOTAL OUTSTANDING COMMITMENTS																
(i) Grants																
21 Project commitments from previous year	139.2	164.3	200.8	220.2	259.7	291.6	290.9	280.9	260.5	242.0	228.2	290.9	280.9	298.2	325.0	364.5
22 Approvals during year (grants only)	58.2	67.8	73.0	78.8	81.5	56.3	60.0	50.3	47.6	48.1	47.6	60.0	88.0	101.4	120.1	142.1
	197.4	232.1	273.8	299.0	341.2	347.9	350.9	331.2	308.1	290.1	275.8	350.9	368.9	399.6	445.1	506.6
23 Project expenditure during year	(30.7)	(31.3)	(45.7)	(33.9)	(44.6)	(48.0)	(61.0)	(63.2)	(58.6)	(54.5)	(51.3)	(61.0)	(63.2)	(67.1)	(73.1)	(82.0)
24 Annual project savings	(2.4)	0.0	(7.9)	(5.4)	(5.0)	(9.0)	(9.0)	(7.5)	(7.5)	(7.5)	(7.5)	(9.0)	(7.5)	(7.5)	(7.5)	(7.5)
	(33.1)	(31.3)	(53.6)	(39.3)	(49.6)	(57.0)	(70.0)	(70.7)	(66.1)	(62.0)	(58.8)	(70.0)	(70.7)	(74.6)	(80.6)	(89.5)
25 Total outstanding grant commitments c/, d/	164.3	200.8	220.2	259.7	291.6	290.9	280.9	260.5	242.0	228.2	217.0	280.9	298.2	325.0	364.5	417.1
(ii) Loans																
26 Loan commitments from previous year			6.4	7.2	0.2	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
27 New loan approvals	0.0	6.4	2.7	0.0	4.8	0.0	2.5	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0
28 Loan disbursements during year			(1.9)	(6.1)	0.0	(5.0)	(2.5)	0.0	0.0	0.0	0.0	(2.5)	0.0	0.0	0.0	0.0
29 Transfers to grants				(0.9)												
30 Total outstanding loan commitments	0.0	6.4	7.2	0.2	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
31 TOTAL OUTSTANDING COMMITMENTS	164.3	207.2	227.4	259.9	296.6	290.9	280.9	260.5	242.0	228.2	217.0	280.9	298.2	325.0	364.5	417.1

a/ This table shows the annual level of project approvals and expenditures made possible from UNCDF general resources. It does not show additional project approvals as expenditures made possible from cost-sharing and/or trust-fund arrangements.

b/ Data include pledges made the previous year but paid the year in question.

c/ Some totals may appear incorrect by plus or minus 0.1 owing to rounding.

d/ These amounts exceed available resources owing to the application of the partial funding formula.

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OTHER FUNDS AND PROGRAMMES

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Report of the Administrator

Corrigendum

Page 6, paragraph 27, line 9

For $8.8 million read $8.4 million

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